



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Required Report - public distribution

Date: 9/25/2002

GAIN Report #HU2011

## Hungary

## Livestock and Products

## Annual

## 2002

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**Report Highlights:** Hungary started 2002 with low swine stocks. Export sales are lower while imports from the EU were rather high. Stable domestic demand and increasing feed grain prices point toward a stagnating hog and pork market in 2003. The Hungarian government is using export subsidies for live hogs.

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Vienna [AU1], HU

## Production

### General

Opening stocks in 2002 were at roughly the same level as last year. By August 2002, total swine numbers were six percent above the same period in 2001. Livestock forecast indicate stagnation or even a slight decrease in animal numbers and pork meat output for 2003.

### Production Policy

Hog farmers and slaughterers receive several kinds of production and marketing support from the federal government. These range from direct payments for quality bonuses, intervention purchase payments, interest tax write-offs for investments, and interest reimbursements for operating loans.

The recently elected government has promised to substitute export subsidies with other “green box” production support programs. So far no major programs have been launched yet. Overcapacity in the hog processing sector and concentration in the food retail sector continue to exert downward pressure on hog prices.

### Consumption

After bottoming out in 1998 at 24 kg/year, per capita pork consumption has started to grow again. BSE and FMD rumors eroded beef consumption but pork has had to compete with poultry meat on image (poultry meat is believed to be healthier). Pork consumption from household production or from unregistered local sources is still significant and this adds uncertainty to official consumption figures.

Per capita consumption of major food items:

	1997	1998	1999
Meat & products, kg	60.0	61.8	61.5
of which Beef	5.2	5.0	4.2
Pork	26.5	27.0	27.0
Poultry	24.4	26.8	27.2
Fish, kg	2.5	2.8	2.8
Milk & Dairy, kg	158.4	151.8	154.3
Eggs, kg	15.0	15.0	14.8
Fats & Oils, kg	36.0	36.7	34.8
of which Lard	18.0	17.4	18.2

Butter	1.5	1.1	0.9
Vegetable Oil, Margarine	15.5	16.6	13.7

Source: Central Statistical Office, Hungarian Statistical Yearbook, 1998-2000

## Prices

Due to saturated feed grain markets in 2001/2002, moderated feed prices helped pork production. In the 2002/2003 crop year, feed prices are expected to increase by about 10-12 percent as a result of the weak to average harvest of corn.

Slaughter hog prices started to increase beginning in August 2002. Since demand is unchanged and retail prices are actually 20 percent under the same prices of the previous year, Hungary's pork market will likely remain stagnant until the summer of 2003.

## Trade General

Hungary's swine industry is very much export oriented and about 20-25 percent of pork produced is for export markets. In some years, live hog sales are also significant.

Imports of lower quality frozen meat and edible offal for further processing have been stable in the 15,000-30,000 MT range in recent years.

Exports of live hogs in the first half of 2002 were low, about 60 percent of the same figure in 2001. Export subsidies released by the government may boost hog sales in the final months of 2002.

Pork sales were also under the previous year results, by 14 percent, in the first half of 2002. Very low EU pork prices pushed meat imports up at the same time. Pork sales may return to normal levels in the second half of the 2002 and early next year, but production forecasts do not indicate any increase in exports.

Export Trade Matrix					
Country	Hungary		Units:	MT	
Commodity	Meat, Swine		Partial Begin		
			Partial End		
Exports for:	2001	2002	2003	2001	2002
	Full	Full	Full	Partial	Partial

U.S.					
Others					
Japan	15113				
Spain	15123				
Italy	9760				
South Korea	10199				
Slovenia	8218				
Romania	8374				
Total for Others	66787	0	0	0	0
Others not Listed	23232				
Grand Total	90019	0	0	0	0

Import Trade Matrix					
Country	Hungary		Units:	MT	
Commodity	Meat, Swine		Partial Begin		
			Partial End		
Imports for:	2001	2002	2003	2001	2002
	Full	Full	Full	Partial	Partial
U.S.					
Others					
Germany	11105				
Denmark	7312				
France	6102				
Total for Others	24519	0	0	0	0
Others not Listed	5693				
Grand Total	30212	0	0	0	0

### Competitive Situation for US Exports

Product certification has become a major trade issue since Hungary harmonizing its veterinary regime with the EU. Continuous communication with importers and regulators is necessary in order to follow the ever-changing requirements for handling edible offal, specified risk materials (SRM) for BSE, certifications and other technical issues. There are currently no valid USDA/FSIS meat export certificates for Hungary.

### Export Subsidies

The government did not prolong the last Minister of Agriculture Decree governing direct subsidies on agricultural exports, which expired on December 31, 2001. A transition measure negotiated in the WTO had allowed Hungary to use a larger export subsidy budget for a much wider scope of products than originally allowed in Hungary's Uruguay Round schedule of commitments. This 'transition measure expired in January 2002.

According to the original commitment, which is again in force starting January 1, 2002, Hungary is allowed to provide direct export subsidies for only 16 groups of commodities (for a total of 112 products) with specific export volume limits, specific support limits and an overall budget ceiling of HUF 14.6 billion (USD 53 million). On the top of all these, Hungary may not use export subsidy on sales to "non traditional markets" such as the American continent, the Pacific region, East and Far East Asia.

The Hungarian government decided to financially compensate producers using different, WTO allowed subsidies, although the domestic processing industry is lobbying for continuing direct export support. The industry's arguments are weakened by the fact that only two of the 16 groups of commodities received export subsidies last year. The majority of the export subsidies budget of HUF 15.8 bn (USD 55.80 million) for CY 2001 was earmarked for products that are ineligible.

Under pressure from producers, the government finally launched a temporary export support program for live hogs (min. 90 kg live weight) in April, 2002, and the program will cover up to a 180,000 head (or 20,370 MT) of hogs. The support is HUF 27/kg (USD 0.11/kg) on exports to any country excluding the EU, Czech Republic, and Slovakia.

### **Tariff Changes**

On January 1, 2002, Hungary published its revised tariff schedule. As with last year, the first column (I) shows GSP tariffs on imports from developing countries, the second column (II) contains the MFN tariffs, and the third column (III) contains the preferential tariffs based on free trade agreements with the EU, EFTA, Turkey, Israel, Bulgaria, Czech Republic, Estonia, Latvia, Poland, Romania, Slovakia, and Slovenia (the latter eight countries will be referred to later as "CEFTA"). If a tariff is not set for the 3rd sub-column, the MFN tariff is used.

Under separate decrees, the Government of Hungary announced further preferential tariffs under quota (TRQ) for imports from:

The EU and CEFTA (Order #21/2001 Dec. 20.)

All countries (unilaterally given quotas)(Order #25/2001 Dec. 27.)

All countries (GATT quotas) (Order #22/2001 Dec.20.)

	Breeding Cattle	Other Cattle	Breeding Swine	Other Swine	Sheep/ Goats
HS codes (4)	0102 10	0102 90	0103 10	0103 91	0104
MFN Tariffs (%)	23.5	40	29.5	50.2	32
EU	0	0	0	0	0
CEFTA CZ	0	15	0	10-15	0
CEFTA SI	0	15	0	10-15	0
CEFTA Po	0	15	0	10-15	0
GATT quota(1)	13,595 MT 15 %	13,595 MT 15%	19,909 MT 15%	19,909 MT 15%	92 MT 9%
Unilateral quota	6330 head 0%	-	400 head 0%	-	-

	Beef	Pork	Edible Offal	Bovine Semen	Bovine Embryo
HS codes (2)	0201, 0202	0203	0206	0511 10	0511 99 50 00
MFN Tariffs (%)	71.7	51.9	42.9	18	19.2
EU				0	0
CEFTA CZ	25	25	0	0	0
CEFTA SI	25	25	0	0	0
CEFTA Po	25	25	0	0	0
EU quota(8)	1740 MT 15% 0202 20 (3): 6210 MT 10.5%	21,000 MT 0%	12,000 MT 0%		
GATT quota	13,595 MT 15% (1)	19,909 MT 25% (1)	1122 MT 15	-	-
Unilateral quota	-	-	-	34,000 doses, 0%	500 pieces 0%

## Notes:

(1) GATT quotas are for the combined preferential imports of live animals and meat

(2) Last four digits (7-10th digits) may differ from the US coding

(3) 0202 20: Frozen beef with bones

PSD Table						
Country	Hungary					
Commodity	Animal Numbers, Swine				(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
TOTAL Beginning Stocks	4834	4834	4850	4900	4952	4955
Sow Beginning Stocks	348	348	360	360	0	365
Production (Pig Crop)	7300	7300	7400	7300	0	7400
Intra EC Imports	0	0	0	0	0	0
Other Imports	2	1	2	1	0	1
TOTAL Imports	2	1	2	1	0	1
TOTAL SUPPLY	12136	12135	12252	12201	4952	12356
Intra EC Exports	0	20	0	25	0	30
Other Exports	200	354	200	175	0	150
TOTAL Exports	200	374	200	200	0	180
Sow Slaughter	0	0	0	0	0	0
OTHER SLAUGHTER	5886	5661	5900	5846	0	5876
Total Slaughter	5886	5661	5900	5846	0	5876
Loss	1200	1200	1200	1200	0	1200
Ending Inventories	4850	4900	4952	4955	0	5100
TOTAL DISTRIBUTION	12136	12135	12252	12201	0	12356
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0



PSD Table						
Country	Hungary					
Commodity	Meat, Swine				(1000 MT CWE)(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Slaughter (Reference)	5886	5661	5900	5846	0	5876
Beginning Stocks	25	0	15	0	10	0
Production	470	460	480	467	0	463
Intra EC Imports	0	36	0	26	0	22
Other Imports	20	3	20	3	0	1
TOTAL Imports	20	39	20	29	0	23
TOTAL SUPPLY	515	499	515	496	10	486
Intra EC Exports	0	78	0	85	0	61
Other Exports	120	40	125	40	0	49
TOTAL Exports	120	118	125	125	0	110
Human Dom. Consumption	350	381	350	371	0	376
Other Use, Losses	30	0	30	0	0	0
TOTAL Dom. Consumption	380	381	380	371	0	376
Ending Stocks	15	0	10	0	0	0
TOTAL DISTRIBUTION	515	499	515	496	0	486
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0